

THE GREATER BATON ROUGE FOOD BANK

FINANCIAL STATEMENTS

DECEMBER 31, 2017



Postlethwaite & Netterville

A Professional Accounting Corporation

www.pncpa.com

THE GREATER BATON ROUGE FOOD BANK

FINANCIAL STATEMENTS

DECEMBER 31, 2017

TABLE OF CONTENTS

	<u>Page</u>
<u>Independent Auditors' Report</u>	1 - 2
<u>Financial Statements</u>	
Statements of Financial Position	3 - 4
Statements of Activities and Changes in Net Assets	5 - 6
Statements of Functional Expenses	7 - 8
Statements of Cash Flows	9
Notes to Financial Statements	10 - 22
<u>Supplemental Information</u>	
Schedule of Compensation, Benefits and Other Payments to Chief Executive Officer	23

INDEPENDENT AUDITORS' REPORT

The Board of Directors
The Greater Baton Rouge Food Bank
Baton Rouge, Louisiana

Report on Financial Statements

We have audited the accompanying financial statements of The Greater Baton Rouge Food Bank (a not-for-profit Organization) which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Greater Baton Rouge Food Bank as of December 31, 2017 and 2016, and the respective changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 14 to the financial statements, the Food Bank was impacted by a natural disaster in August 2016 which significantly impacted its operations for the year ended December 31, 2016. The Food Bank's operations continued to be impacted during 2017 as they continued to resume normal operations. Our opinion is not modified with respect to this matter.

Report on Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of compensation, benefits and other payments to Chief Executive Officer included on page 23 is presented for purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reports Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report, dated July 25, 2018, on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Postlethwaite & Netterville

Baton Rouge, Louisiana
July 25, 2018

THE GREATER BATON ROUGE FOOD BANK
(A NOT-FOR-PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

ASSETS

	<u>2017</u>	<u>2016</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 2,596,154	\$ 3,310,402
Restricted cash	827,635	1,169,385
Other receivables	110,329	70,300
Grant receivable - FEMA (footnote 14)	1,186,965	1,168,051
Prepaid insurance	42,591	32,361
Unconditional promises to give	4,584	60,728
Promise to give - United Way	113,250	113,250
Food inventory - donated and purchased	1,943,873	2,355,797
Food inventory - commodities	462,104	410,550
Total current assets	<u>7,287,485</u>	<u>8,690,824</u>
<u>PROPERTY AND EQUIPMENT</u>		
Land	500,000	500,000
Building and building improvements	11,378,268	9,483,013
Construction in process	-	19,433
Vehicles	280,181	199,885
Furniture, fixtures, and equipment	1,908,732	1,286,906
Leased equipment	643,801	-
	<u>14,710,982</u>	<u>11,489,237</u>
Less: Accumulated depreciation	<u>(2,720,391)</u>	<u>(1,990,627)</u>
Total property and equipment, net	<u>11,990,591</u>	<u>9,498,610</u>
<u>OTHER ASSETS</u>		
Investments (footnote 13)	1,609,687	1,379,335
Long-term portion of unconditional promises to give	-	2,192
Total other assets	<u>1,609,687</u>	<u>1,381,527</u>
 Total assets	 <u>\$ 20,887,763</u>	 <u>\$ 19,570,961</u>

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS

	2017	2016
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 356,579	\$ 264,242
Accrued expenses and other liabilities	85,938	73,613
Accrued interest payable	4,568	5,303
Note payable - current portion	211,621	200,850
Lease obligation - current portion	83,479	-
Total current liabilities	<u>742,185</u>	<u>544,008</u>
<u>LONG-TERM LIABILITIES</u>		
Note payable - less current portion	1,738,206	2,045,453
Lease obligation - less current portion	507,539	-
Total long-term liabilities	<u>2,245,745</u>	<u>2,045,453</u>
Total liabilities	<u>2,987,930</u>	<u>2,589,461</u>
<u>NET ASSETS</u>		
Unrestricted	15,970,999	14,731,685
Temporarily restricted	859,509	1,266,450
Permanently restricted	1,069,325	983,365
Total net assets	<u>17,899,833</u>	<u>16,981,500</u>
Total liabilities and net assets	<u>\$ 20,887,763</u>	<u>\$ 19,570,961</u>

THE GREATER BATON ROUGE FOOD BANK
(A NOT-FOR-PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>REVENUES AND OTHER SUPPORT</u>				
Contributions	\$ 2,839,274	\$ 48,085	\$ 85,960	\$ 2,973,319
United Way	-	271,053	-	271,053
Special events	91,266	-	-	91,266
FEMA Grant (footnote 14)	1,510,267	-	-	1,510,267
Emergency Food and Shelter Grant (FEMA)	127,197	-	-	127,197
Donated services and gifts in kind	93,956	-	-	93,956
Grant revenues - other	211,250	322,608	-	533,858
Local government support	23,000	-	-	23,000
SNAP Outreach	24,516	-	-	24,516
USDA commodities reimbursements	305,579	-	-	305,579
Investment income (loss)	164,299	-	-	164,299
Food donations received	11,721,665	-	-	11,721,665
Commodities received	1,801,165	-	-	1,801,165
Forgiveness of debt	100,000	-	-	100,000
Insurance proceeds	-	-	-	-
Other	38,390	-	-	38,390
Total revenues	19,051,824	641,746	85,960	19,779,530
Net assets released from restrictions				
Satisfaction of restrictions	1,048,687	(1,048,687)	-	-
Total revenues	20,100,511	(406,941)	85,960	19,779,530
<u>EXPENSES</u>				
Program	17,290,818	-	-	17,290,818
Administration	527,666	-	-	527,666
Fundraising	1,042,713	-	-	1,042,713
Total expenses	18,861,197	-	-	18,861,197
<u>CHANGE IN NET ASSETS</u>	1,239,314	(406,941)	85,960	918,333
Net assets - beginning of period	14,731,685	1,266,450	983,365	16,981,500
Net assets - end of period	\$ 15,970,999	\$ 859,509	\$ 1,069,325	\$ 17,899,833

The accompanying notes are an integral part of these statements.

2016

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 5,112,746	\$ 159,644	\$ 79,104	\$ 5,351,494
-	248,215	-	248,215
67,990	-	-	67,990
1,168,051	-	-	1,168,051
29,880	-	-	29,880
238,882	-	-	238,882
722,855	378,202	-	1,101,057
27,000	-	-	27,000
49,436	-	-	49,436
250,000	-	-	250,000
74,074	-	-	74,074
16,356,930	-	-	16,356,930
1,860,480	-	-	1,860,480
100,000	-	-	100,000
726,195	-	-	726,195
49,072	-	-	49,072
26,833,591	786,061	79,104	27,698,756
900,837	(900,837)	-	-
27,734,428	(114,776)	79,104	27,698,756
23,156,538	-	-	23,156,538
771,800	-	-	771,800
1,580,126	-	-	1,580,126
25,508,464	-	-	25,508,464
2,225,964	(114,776)	79,104	2,190,292
12,505,721	1,381,226	904,261	14,791,208
\$ 14,731,685	\$ 1,266,450	\$ 983,365	\$ 16,981,500

THE GREATER BATON ROUGE FOOD BANK
(A NOT-FOR-PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017			
	Program	Administration	Fundraising	Total
Accounting and professional fees	\$ -	\$ 27,321	\$ 50,740	\$ 78,061
Advertising	-	-	15,001	15,001
Write down of pledges	-	-	-	-
Capital Campaign	-	-	-	-
Computer upgrade	25,199	50,397	25,199	100,795
Conferences	6,960	25,057	14,385	46,402
Contract labor	235,173	17,701	-	252,874
Depreciation	685,977	21,893	21,893	729,763
Direct mail expense	-	-	359,052	359,052
Distribution of commodities	1,749,611	-	-	1,749,611
Distribution of donated food	12,578,599	-	-	12,578,599
Dues	20,794	2,599	5,487	28,880
Food purchases with FEMA revenue	127,197	-	-	127,197
Fuel and mileage	41,268	878	1,756	43,902
In-kind expense	-	-	13,956	13,956
Insurance	95,709	35,187	9,852	140,748
Interest expense	85,631	2,733	2,733	91,097
Investment fees and expenses	-	37,972	-	37,972
Loss on disposal of assets (footnote 14)	-	-	-	-
Equipment	18,410	9,205	9,205	36,820
Miscellaneous expense	55,945	2,976	595	59,516
Payroll taxes	74,555	17,751	26,035	118,341
Postage	944	3,777	14,161	18,882
Printing and publication	2,041	1,750	25,368	29,159
Repairs and maintenance (footnote 14)	114,978	1,198	3,593	119,769
Rentals	106,952	-	-	106,952
Retirement and employee benefits	97,542	15,112	24,730	137,384
Salaries	938,671	227,098	348,217	1,513,986
Service contracts	11,621	3,296	2,428	17,345
Special event expense	-	-	31,333	31,333
Supplies	44,094	6,831	11,179	62,104
Telephone	21,117	4,097	6,304	31,518
Transportation	66,711	-	-	66,711
Training	-	82	-	82
Rent and utilities (footnote 14)	64,666	12,547	19,303	96,516
Volunteer program	80	-	-	80
Waste disposal (footnote 14)	20,373	208	208	20,789
	<u>\$ 17,290,818</u>	<u>\$ 527,666</u>	<u>\$ 1,042,713</u>	<u>\$ 18,861,197</u>

The accompanying notes are an integral part of these statements.

2016

Program	Administration	Fundraising	Total
\$ -	\$ 28,008	\$ 49,792	\$ 77,800
-	-	15,828	15,828
-	-	11,200	11,200
-	-	1,729	1,729
13,098	26,195	13,098	52,391
14,825	14,825	7,412	37,062
124,388	5,183	-	129,571
599,922	19,146	19,146	638,214
-	-	380,744	380,744
1,550,335	-	-	1,550,335
15,005,291	-	-	15,005,291
10,402	897	6,636	17,935
29,880	-	-	29,880
59,886	4,658	1,996	66,540
15,522	37,014	66,863	119,399
97,847	32,150	9,785	139,782
86,048	2,746	2,746	91,540
-	42,439	-	42,439
1,923,773	172,646	369,956	2,466,375
59,447	3,340	4,008	66,795
37,653	10,620	-	48,273
74,150	15,301	28,248	117,699
1,399	5,595	20,981	27,975
1,285	2,570	21,846	25,701
1,932,874	61,687	61,687	2,056,248
148,641	-	-	148,641
126,334	33,042	34,986	194,362
960,547	198,208	365,923	1,524,678
32,786	21,857	6,071	60,714
-	-	34,642	34,642
47,708	8,988	12,446	69,142
16,071	4,147	5,703	25,921
33,059	-	-	33,059
-	940	-	940
72,911	18,816	25,872	117,599
3,798	-	-	3,798
76,658	782	782	78,222
<u>\$ 23,156,538</u>	<u>\$ 771,800</u>	<u>\$ 1,580,126</u>	<u>\$ 25,508,464</u>

THE GREATER BATON ROUGE FOOD BANK
(A NOT-FOR-PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 918,333	\$ 2,190,292
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Permanently restricted contributions	(85,960)	(79,104)
Write down of pledges	-	11,200
Depreciation	729,763	638,214
Loss on disposal of fixed assets from Flood	-	1,740,263
Loss on inventory from Flood	-	726,113
Forgiveness of debt	(100,000)	(100,000)
Unrealized depreciation (appreciation) of investments	(129,038)	(48,150)
Net present value discount on unconditional promises to give	(1,664)	(4,928)
Imputed interest on forgivable debt	9,445	9,445
Inventory, net	411,924	(1,624,137)
Net change in:		
Accounts receivable	(40,029)	25,699
Grant receivable- FEMA	(18,914)	(1,168,051)
Unconditional promises to give	60,000	201,829
Prepaid insurance	(10,230)	637
Promise to give - United Way	-	39,250
Commodities inventory	(51,554)	(310,145)
Accrued interest payable	(735)	(1,061)
Accounts payable	92,337	75,263
Accrued expenses and other liabilities	12,325	(65)
Net cash provided by operating activities	<u>1,796,003</u>	<u>2,322,564</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Property and equipment purchases	(2,577,943)	(263,375)
Purchase of investments	(101,314)	(89,332)
Net cash used in investing activities	<u>(2,679,257)</u>	<u>(352,707)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Permanently restricted contributions	85,960	79,104
Principal payments on notes payable	(205,921)	(698,354)
Principal payments on capital lease obligations	(52,783)	-
Net cash used in financing activities	<u>(172,744)</u>	<u>(619,250)</u>
Net change in cash and cash equivalents	(1,055,998)	1,350,607
Cash and cash equivalents at beginning of year	<u>4,479,787</u>	<u>3,129,180</u>
Cash and cash equivalents at end of year	<u>\$ 3,423,789</u>	<u>\$ 4,479,787</u>
<u>Supplemental disclosure:</u>		
Interest paid	<u>\$ 99,807</u>	<u>\$ 99,924</u>

The accompanying notes are an integral part of these statements.

THE GREATER BATON ROUGE FOOD BANK
(A NOT-FOR-PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Greater Baton Rouge Food Bank (the Food Bank or the Organization) is a not-for-profit organization that gathers, stores, and redistributes food to charitable organizations and churches that serve the needy. Food sources include donations from individuals, corporations, Federal Emergency Management Agency (FEMA) and organizations; purchased food; and the U.S. Department of Agriculture (USDA) Commodities program.

Due to heavy rainfall and severe storms in Louisiana between August 12 and August 15, 2016, record flooding throughout East Baton Rouge Parish endangered the lives of Louisianans and inflicted heavy damage to public and private property, including The Food Bank. The Food Bank's building received flood water that reached four or more feet in height, damaging the building and destroying its contents and fixed assets. See note 14.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The Food Bank is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Significant estimates have been applied in the determination of donated food values and depreciation in preparation of the accompanying financial statements.

Property and Equipment

Property and equipment are stated at cost. Additions, renewals, and betterments that extend the useful life of the assets are capitalized. Maintenance and repair expenditures are expensed as incurred. Provisions for depreciation and amortization are computed using the straight-line method over the assets' useful lives, which range from 3 to 39 years.

THE GREATER BATON ROUGE FOOD BANK
(A NOT-FOR-PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition and Promises to Give

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Grants receive the same accounting treatment as contributions, if the grant activity is to be planned and carried out by the Organization and the Organization has the right to the benefits of carrying out the activity.

Management has evaluated Promises to Give and does not believe an allowance is necessary at December 31, 2017 or 2016.

Income Taxes

The Organization has been recognized by the Internal Revenue Service as a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes. The Organization had unrelated business taxable income of \$24,000 for each of the years ended December 31, 2017 and 2016, related to rental income. The Organization filed Form 990T in relation to this business income, however, no material amount of income tax was paid due to the related expenses that were deductible from the income. Accordingly, no provision for income taxes on related income has been included in the financial statements for December 31, 2017 or 2016. In Management's judgment, the Food Bank does not have any tax positions that would result in a loss contingency considering the facts, circumstances, and information available at the reporting date.

Food Inventory - Donated and Purchased

Food inventory, predominately donated, including food received, distributed and undistributed, is valued using the estimated fair value as determined by the Feeding America Product Valuation Survey prepared by KPMG, LLP on an annual basis. The report provides the average wholesale value of products donated to the network and is considered to be a reasonable basis upon which to estimate these amounts. The average wholesale value used for the years ended December 31, 2017 and 2016, was \$1.73 and \$1.67 per pound, respectively. The Food Bank receives donated Meals Ready to Eat (MRE's) periodically. MRE's are valued using available market prices (fair value) for meals with a similar test by date. The average fair value at December 31, 2017 and 2016 was \$60. All MRE's were distributed during the year ended December 31, 2017. Donated food inventory received is recorded as unrestricted revenue at an amount equal to the determined value in accordance with the aforementioned guidelines. Purchased food inventory is recorded at cost. The Food Bank also received donated food from FEMA which is recorded at a price provided by FEMA which approximates fair value.

THE GREATER BATON ROUGE FOOD BANK
(A NOT-FOR-PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Food Inventory - Commodities

The Food Bank records commodities inventory as determined by the commodities price listing produced by the Louisiana Department of Agriculture and Forestry. Commodities inventory received is recorded as unrestricted revenue at an amount equal to the determined value in accordance with the aforementioned guidelines. During the year ended December 31, 2017 and 2016, the food product prices averaged \$.99 per pound and \$1.02 per pound, respectively.

Investments

Investments are carried at net asset value (NAV) of units held by the Food Bank at year end. The change in fair value is recognized as a component of investment income. Accrued interest on investments is recognized as a component of accounts receivable.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with original maturities of less than three months. Restricted cash represents amounts held by the Organization with donor-imposed restrictions.

Other Receivables

The Food Bank determines past-due accounts based on contractual terms and does not charge interest on the accounts. Receivables consist primarily of amounts due from various grants. The Food Bank charges off receivables if management considers the collection of the outstanding balance to be doubtful. Management does not believe an allowance is necessary at December 31, 2017 or 2016.

Donated Services

A significant portion of the Food Bank's functions are conducted by unpaid volunteers. The value of the contributed time is not reflected in the financial statements since the services do not meet the criteria for recognition under accounting principles generally accepted in the United States of America.

Donated Materials

Donated materials are reflected as contribution income and expense in the accompanying financial statements at their estimated fair market values at the date of receipt. Various materials were donated to the Food Bank to help aid in their mission. These materials were valued at approximately \$94,000 and \$239,000 for the years ended December 31, 2017 and 2016, respectively. The amount at December 31, 2017, consisted mainly of donated software of \$80,000. The amount at December 31, 2016, consisted mainly of donated computer and phone equipment of \$186,000.

THE GREATER BATON ROUGE FOOD BANK
(A NOT-FOR-PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting pronouncements issued but not yet adopted

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, to update its revenue recognition standard to clarify the principles of recognizing revenue and eliminate industry-specific guidance as well as help financial statement users better understand the nature, amount, timing, and uncertainty of revenue that is recognized. This standard will be effective for periods beginning after December 15, 2018.

In February 2016, the FASB issued ASU 2016-02, Leases. This accounting standard requires lessees to recognize assets and liabilities related to lease arrangements longer than 12 months on the balance sheet as well as additional disclosures. The updated guidance is effective for annual periods beginning after December 15, 2019.

On August 18, 2016, FASB issued Accounting Standards Update (ASU) No. 2016-14. Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. Under the ASU, the number of net asset classes is decreased from three to two; enhanced disclosure of underwater endowments are required; reporting of expenses by function and nature, as well as an analysis of expenses by both function and nature is required; and qualitative information in the notes to the financial statements on how it manages its liquid available resources and liquidity risk is required. This ASU is effective for fiscal years beginning after December 15, 2017.

The Food Bank is currently assessing the impact of these pronouncements on its financial statements.

2. TEMPORARILY RESTRICTED NET ASSETS

Net assets were temporarily restricted for the following purposes at December 31:

	<u>2017</u>	<u>2016</u>
Bucks for Trucks Program	\$ 70,118	\$ 107,621
Back Pack Program	78,333	167,149
Capital Campaign	473,295	735,515
United Way Promise to Give – General and Administration	113,250	113,250
Estate of Elizabeth Ferro – Garden	20,000	20,000
Adopt a Senior	13,200	3,940
Walmart Foundation – Infrastructure	-	45,216
Mobile Pantry	27,130	7,440
Food Purchases	-	56,319
Farm Fresh	64,183	10,000
	<u>\$ 859,509</u>	<u>\$ 1,266,450</u>

THE GREATER BATON ROUGE FOOD BANK
(A NOT-FOR-PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

2. TEMPORARILY RESTRICTED NET ASSETS (continued)

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes or by occurrences of other events specified by the donors of the various programs. Capital Campaign funds of \$273,580; Bucks for Trucks Program of \$92,518; Back Pack Program of \$170,490; Food Purchases \$77,171; and United Way of \$254,409 were the primary funds released from restrictions during 2017.

Capital Campaign funds of \$294,629; Bucks for Trucks Program of \$45,718; Back Pack Program of \$86,520; Food Purchases \$174,232; and United Way of \$287,465 were the primary funds released from restrictions during 2016.

3. PERMANENTLY RESTRICTED NET ASSETS

Net assets were permanently restricted for the following purposes at December 31:

	<u>2017</u>	<u>2016</u>
Endowment Fund (principal unexpendable; earnings can be used for general mission statement of Food Bank)	\$ <u>1,069,325</u>	\$ <u>983,365</u>

4. USDA COMMODITIES

The Food Bank participated in the USDA Commodities program during the years ended December 31, 2017 and 2016. The objective of the program is to provide U.S. Department of Agriculture (USDA) donated commodities to low-income households through eligible organizations for home consumption. Commodities received are recorded in the accompanying financial statements as unrestricted revenue at their estimated fair value.

Activity of commodities is summarized as follows:

	<u>2017</u>	<u>2016</u>
Commodity inventory at beginning of year	\$ 410,550	\$ 192,996
Food commodities received	1,801,165	1,860,480
Distributed, discarded, and adjustment	(1,749,611)	(1,550,335)
Loss on inventory from Flood (footnote 14)	-	(92,591)
Commodity inventory at end of year	\$ <u>462,104</u>	\$ <u>410,550</u>

5. NOTES PAYABLE

The Organization received \$500,000 as part of a loan agreement with the Office of Community Development during the year ended December 31, 2013, which was used for the rehabilitation of the new office and warehouse. This is a principal only loan with a term of 5 years fixed amortization. Beginning in 2014, an amount equal to one fifth of the total amount of this loan is forgiven annually. During the years ended December 31, 2017 and 2016, respectively, \$100,000 was forgiven on the loan.

THE GREATER BATON ROUGE FOOD BANK
(A NOT-FOR-PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

5. NOTES PAYABLE (continued)

The Organization also received an additional \$500,000 repayable loan with the Office of Community Development during the year ended December 31, 2014. This is a principal only loan which is also for the rehabilitation of the new office and warehouse. Therefore, interest was imputed at a rate of 4%. In 2014, the present value of the note payable was \$405,545. Interest expense of \$9,445 was recorded for the years ended December 31, 2017 and 2016. The loan is due over a 10 year period with the first payment to be due ninety days after the expiration of the agreement which was December 31, 2013, or March 31, 2014. Payments totaling approximately \$46,000 and \$50,000 were made for each of the years ended December 31, 2017 and 2016, respectively.

A summary of long-term debt as of December 31st is as follows:

	<u>2017</u>	<u>2016</u>
Loan with Bancorp South; 180 monthly payments of \$18,967 at 4% interest; balloon payment in the amount of \$950,075 due August 5, 2021; secured by the building	\$ 1,581,491	\$ 1,741,579
Community Development Block Grant (CDBG) repayable loan; 10 years with imputed interest of 4%; secured by the building	268,336	304,724
Community Development Block Grant (CDBG) forgivable loan; 5 years at 0%, secured by the building	<u>100,000</u>	<u>200,000</u>
Subtotal	<u>1,949,827</u>	<u>2,246,303</u>
Less: current portion	<u>(211,621)</u>	<u>(200,850)</u>
Long term debt- net of maturities	<u>\$ 1,738,206</u>	<u>\$ 2,045,453</u>

In May 2016, the Food Bank utilized its proceeds from a prior year sale of the old warehouse and made an additional \$500,000 payment on the loan with Bancorp South.

THE GREATER BATON ROUGE FOOD BANK
(A NOT-FOR-PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

5. NOTES PAYABLE (continued)

The notes are expected to mature as follows:

<u>Year ending December 31st</u>	<u>Amount</u>
2018	\$ 211,621
2019	314,331
2020	221,352
2021	1,100,367
2022	40,555
Thereafter	61,601
	<u>\$ 1,949,827</u>

6. VEHICLE LEASES

The Food Bank leases delivery trucks for food distribution. In the 2016 flood, the Food Bank lost four leased trucks and three food bank owned vehicles which were replaced with the following:

Operating Leases

An operating lease was entered into in April 2016, but the truck was not put into service until October 2016. Rental expense for the leases was \$39,100 and \$148,641 for the years ended December 31, 2017 and 2016, respectively.

Capital Leases

Five capital leases were entered into on January 3, 2017. The trucks were put into service on dates ranging from May 2017 to July 2017. The total lease obligation and cost included in fixed assets for the capital leases was \$643,801 for 2017. Lease obligation principal payments totaled \$52,783 for the year ended December 31, 2017. Accumulated depreciation for these assets was \$91,972 for 2017.

The terms of the 6 leases, which range from 5 to 7 years, require annual rental payments as follows:

2018	\$ 102,019
2019	105,420
2020	108,959
2021	98,738
2022	97,937
Thereafter	138,202
	<u>\$ 651,275</u>

THE GREATER BATON ROUGE FOOD BANK
(A NOT-FOR-PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

7. RETIREMENT PLAN

The Food Bank has a qualified Internal Revenue Code Section 403(b) annuity plan. The Plan covers all employees who have completed at least three months of service. The Food Bank is obligated to match up to 50% of an employee's deferred amount, up to 10% of their pay. The Food Bank has the option to match up to 100% in any one year. The Food Bank contributed \$24,661 and \$23,564 to this Plan during the years ended December 31, 2017 and 2016 respectively.

8. INVESTMENT INCOME

The Food Bank has cash in money market accounts and pooled separate accounts held by BRAF that pay interest. Investment income (loss) on investments was comprised of the following:

	<u>2017</u>	<u>2016</u>
Net unrealized gains on endowment fund	\$ 129,038	\$ 48,150
Dividend and interest	<u>35,261</u>	<u>25,924</u>
	<u>\$ 164,299</u>	<u>\$ 74,074</u>

9. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated by management among the programs and supporting services benefited.

10. COMMITMENTS AND CONTINGENCIES

The Food Bank is, from time to time, involved in lawsuits arising in the ordinary course of its business that, in the opinion of management, will not have a material effect on the Food Bank's results of operations.

11. PROMISES TO GIVE

Unconditional Promises to Give

Unconditional promises to give at December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Receivable in less than one year	\$ 5,200	\$ 62,950
Receivable in one to five years	<u>-</u>	<u>2,250</u>
Total unconditional promises to give	5,200	65,200
Less: Discount to net present value	(616)	(2,280)
Net unconditional promises to give	<u>\$ 4,584</u>	<u>\$ 62,920</u>

THE GREATER BATON ROUGE FOOD BANK
(A NOT-FOR-PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

11. PROMISES TO GIVE (continued)

The discount rate used on the valuation of long-term promises to give was 2.73% for the year ended December 31, 2015, the rate of return of the 30 year U.S. Treasury Bill. There were no new pledges for the year ended December 31, 2017 and 2016.

During the years ended December 31, 2017 and 2016, \$0 and \$11,200 respectively was written off related to reduction in pledges.

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

Accounting principles generally accepted in the United States of America (GAAP) provides for a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the organization has the ability to access.
- Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement, determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

The asset fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2017 and 2016.

Money market and pooled funds: Valued at the net asset value (NAV) of units held by the Food Bank at year end.

THE GREATER BATON ROUGE FOOD BANK
(A NOT-FOR-PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

12. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Food Bank's management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Fair Value of Assets Measured on a Recurring Basis

The following table presents for each of the fair-value hierarchy level the Food Bank's financial assets that are measured at fair value on a recurring basis at December 31, 2017 and 2016.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Pooled Investments at December 31, 2017	\$ -	\$ 1,609,687	\$ -
Pooled Investments at December 31, 2016	\$ -	\$ 1,379,335	\$ -

13. ENDOWMENT NET ASSETS

The primary objective of the Food Bank's investment and spending policies for its endowed assets is for the investment of donor contributions made in memory of individuals. These donations are used to meet the mission statement of the Food Bank. Its endowment includes donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Food Bank has interpreted the Louisiana State Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. This Act was effective July 1, 2010. Upon implementation, the Food Bank classified as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donations, to be used to meet the mission statement of the Food Bank, can be solicited for this fund. Interest, dividends, capital gains or other earnings of the Fund are to be utilized at the discretion of the Board of Directors, and in compliance with the policies and procedures of the Board designated holder of the endowment. This policy, with the exception of the inviolate nature of the endowment that may not be altered, may only be changed by a two-thirds majority vote of the elected, voting members of the Board of Directors. The corpus of the assets of this fund is considered to be permanently restricted.

THE GREATER BATON ROUGE FOOD BANK
(A NOT-FOR-PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

13. ENDOWMENT NET ASSETS (continued)

Investments of the Endowment Fund consist solely of amounts invested in the Baton Rouge Area Foundation Investment Pool (BRAf). To satisfy its long-term rate-of-return objectives, the Food Bank relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The carrying amount of the investments of \$1,609,687 and \$1,379,335 as of December 31, 2017 and 2016, respectively, are recorded at their fair value which is based on the net asset value of BRAf's investment pool. The investments are in pooled funds primarily composed of mutual funds held at the Baton Rouge Area Foundation.

As of December 31, 2017 and 2016, all interest and dividend income and unrealized gains were classified as unrestricted.

The endowment net asset composition by type of fund was as follows as of December 31, 2017 and 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-Restricted Endowment as of December 31, 2017	\$ <u>544,057</u>	\$ <u>-</u>	\$ <u>1,065,630</u>	\$ <u>1,609,687</u>
Donor-Restricted Endowment as of December 31, 2016	\$ <u>393,030</u>	\$ <u>-</u>	\$ <u>986,305</u>	\$ <u>1,379,335</u>

THE GREATER BATON ROUGE FOOD BANK
(A NOT-FOR-PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

13. ENDOWMENT NET ASSETS (continued)

Changes in endowment funds by net asset category were as follows for the year ended December 31, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, December 31, 2016	\$ 393,030	\$ -	\$ 986,305	\$ 1,379,335
Investment Return:				
Investment gain	35,260	-	-	35,260
Net appreciation	129,038	-	-	129,038
Investment expenses	(13,271)	-	-	(13,271)
Contributions	-	-	79,325	79,325
Endowment net assets, December 31, 2017	<u>\$ 544,057</u>	<u>\$ -</u>	<u>\$ 1,065,630</u>	<u>\$ 1,609,687</u>

Changes in endowment funds by net asset category were as follows for the year ended December 31, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, December 31, 2015	\$ 329,716	\$ -	\$ 912,137	\$ 1,241,853
Investment Return:				
Investment gain	25,924	-	-	25,924
Net appreciation	48,150	-	-	48,150
Investment expenses	(10,760)	-	-	(10,760)
Contributions	-	-	74,168	74,168
Endowment net assets, December 31, 2016	<u>\$ 393,030</u>	<u>\$ -</u>	<u>\$ 986,305</u>	<u>\$ 1,379,335</u>

THE GREATER BATON ROUGE FOOD BANK
(A NOT-FOR-PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

14. THE FLOOD AND INSURANCE PROCEEDS

Due to heavy rainfall and severe storms in Louisiana between August 12 and August 15, 2016, record flooding throughout East Baton Rouge Parish endangered the lives of Louisianans and inflicted heavy damage to public and private property, including The Food Bank. The Food Bank's building received flood water that reached four or more feet in height, damaging the building and destroying certain contents and fixed assets. To complete Emergency Protective Measures necessary to reduce and prevent additional damage to the facility and prevent additional public health hazards, the Food Bank secured services to dewater, clean and stabilize the facility, incurring costs up to \$2.0 million. These costs are recorded in Repairs and maintenance, Waste disposal and other various accounts on the Statement of Operations for the year ended December 31, 2016. The value of the property and equipment lost, including its building, vehicles, and furniture and equipment, was \$2.1 million, less accumulated depreciation of \$0.4 million, and the value of the inventory lost was \$0.7 million, for a total loss of \$2.4 million recorded in expenses in the Statements of Activities and Changes in Net Assets for the years ended December 31, 2016.

The Food Bank maintained a flood and inland marine policy and filed a claim for recovery of damages to its property and equipment. The Food Bank reached a settlement of damages to the building and equipment insured and received approximately \$0.7 million. The Governor of Louisiana requested a Presidential disaster declaration, which was declared (DR-4277) on August 14, 2016, authorizing the Federal Emergency Management Agency (FEMA) to activate the Public Assistance (PA) program. The Food Bank is seeking reimbursement for eligible recovery costs through the PA program for Emergency Protective Measures. Under the Emergency Protective Measures PA program, the Food Bank submitted reimbursement requests to FEMA in the amount of \$1.4 million for the year ended December 31, 2016. The Food Bank believed that up to \$0.2 million could be disallowed and recorded a receivable for \$1.2 million on the Statement of Financial Position as of December 31, 2016. The full \$1.6 million was received in 2017. In 2017, The Food Bank completed its extensive renovations to the facility, and The Food Bank submitted its application for the Permanent Work Project Worksheets in the amount of \$1.2 million. At December 31, 2017, The Food Bank has recorded a receivable for approximately \$420,000 and approximately \$767,000 on the Statement of Financial Position related to the Emergency Protective Measures and Permanent Work Project Worksheets, respectively.

15. SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, July 25, 2018, and determined that there were no events that require additional disclosure. No events occurring after this date have been evaluated for inclusion in these financial statements.

SUPPLEMENTAL INFORMATION

GREATER BATON ROUGE FOOD BANK
(A NOT-FOR-PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO
CHIEF EXECUTIVE OFFICER
YEAR ENDED DECEMBER 31, 2017

Chief Executive Officer: Michael G. Manning

Purpose	Amount
Salary, including incentive and bonus	\$ -
Benefits-insurance	-
Benefits-retirement	-
Deferred compensation	-
Benefits-other	-
Car allowance	-
Vehicle provided by government	-
Cell phone	-
Dues	-
Vehicle rental	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Housing	-
Unvouchered expenses	-
Special meals	-
Other (including payments made by other parties on behalf of the agency head)	-
Total	\$ -

R.S. 24:513 (A) (3) requires reporting of the total compensation, reimbursements, and benefits paid to the agency head or chief executive officer. This law was further amended by Act 462 of the 2015 Regular Session which clarified that nongovernmental or not for profit local auditees are required to report only the compensation, reimbursements, and benefits paid to the agency head or chief executive officer paid from public funds.

This organization is not required to report the total compensation, reimbursements, and benefits paid to the chief executive officer as these costs are supported by private funds.